

**REAL ESTATE MARKET ANALYSIS**

**SUBJECT OF STUDY**

Downtown Needham, Massachusetts

**DATE OF ANALYSIS**

June 4, 2007

**PREPARED FOR**

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**PREPARED BY**

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July 16, 2007

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RE: Market Analysis  
Downtown Needham, Massachusetts

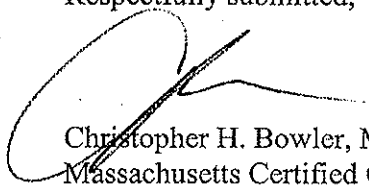
Dear Mr. DiNisco:

In accordance with your request, attached please find the results of our study and analysis of the Downtown Needham real estate market incorporating the revised parcel inventory. The purpose of this study is to provide current conditions of supply and demand in the retail, office, and housing sectors in the downtown market. Also we will measure current and future demand in the downtown for retail space, office space and housing units. The study includes a discussion of current rental rates and capitalization rates for the 3 property types.

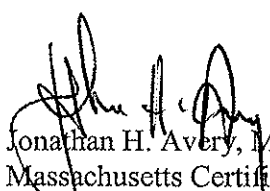
The market being studied is Downtown Needham, Massachusetts. The downtown is centered around the intersection of Great Plain Ave (Route 135), Highland Ave, Chestnut Street and Dedham Ave. The study area is a narrow corridor, that extends 1 mile between the campus of Needham High School to the north and the Needham Junction MBTA commuter rail station to the south; and 0.40 miles between the Post Office property on Great Plain Ave to the west to the Pickering Street intersection to the east.

Our study involved discussions with Needham planning officials and real estate professionals active in the downtown market. In addition we compiled pertinent demographic data, historical sales data, absorption data, historical demand data, and existing and pending supply data. The results of these discussions and research are presented in the attached report.

Respectfully submitted,



Christopher H. Bowler, MAI, SRA  
Massachusetts Certified General  
Real Estate Appraiser #495



Jonathan H. Avery, MAI, CRE  
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## SUMMARY OF KEY FINDINGS

- The downtown study area includes 131 parcels of land with 54.5+/- acres, improved with 1.23+/- million square feet of building area. Of the total building area, approximately 573,000 square feet is retail space and 283,000+/- square feet is office space. Buildings in the downtown are generally older (50+ years), one and two story structures, and are on parcels of land with insufficient parking.
- There are currently less than 70 housing units in the downtown study area.
- The population within the 3 mile radius around downtown Needham is generally affluent, with a median household income nearly 2.5 times the state average.
- Vacancy among retail, office, and residential properties is low in the study area. However turnover among retailers is moderate. Retail vacancy/availability is estimated at slightly under 4%. Office vacancy/availability is approximately 5%. Of the 70+/- housing units in the downtown area, only 3-4 are vacant or available.
- Primarily through the use of retail gap or 'leakage' data, we estimate current and future (5 years out) demand for retail space in the downtown area to be 245,000+/- sq. ft. Of this total, 235,000 sq. ft. is current demand for additional space and 10,000 sq. ft. is due to expected population and income growth between now and 5 years out.
- Using job growth and population data, along with market information, we project an additional demand for office space over a 5 year time frame of 50,000 sq. ft. This estimate presumes at least the Phase I expansion of the existing Beth Israel Deaconess Needham Hospital off of Chestnut Street.
- Statistical evidence suggests that any demand for future housing in Needham and the Downtown area will be satisfied with projects currently in the planning process. Market evidence, however, suggests that two or three small projects, between 16 and 48 units each would succeed in the study area either in the form of condominium or rental housing.
- The projections of demand presume that sufficient on site or nearby parking could be accommodated for future developments.
- The retail rental range in the Downtown area is \$18-\$35 per sq. ft. on NNN net terms. The predominant range is \$21-\$25 per sq. ft.
- Retail capitalization rates in the larger market in which Needham competes are between 6% and 9%, with most falling into the mid 7% range.
- The office rental range in the Downtown area is \$16-\$35 per sq. ft. on gross plus tenant electric terms. The predominant range is \$19-\$26 per sq. ft.
- Office capitalization rates in the larger market are between 6.25% and 9.5%, with most falling into the mid 7% range.
- Residential rents in the larger market in which Needham competes are:

Class A:	1BR - \$1,900/mo	2BR - \$2,400/mo
Class B:	1BR - \$1,500/mo	2BR - \$1,700/mo
Class C:	1BR - \$950/mo	2BR - \$1,350/mo
- Residential multi family capitalization rates in the larger market are between 4.5% and 8.5%, with most falling into the mid high 6% range.

**SCOPE OF THE MARKET STUDY:** Christopher H. Bowler, MAI, SRA and Jonathan H. Avery, MAI, CRE inspected the Downtown Needham study area several times, most recently June 4 & 8, 2007.

In addition to the inspections Mr. Bowler and Mr. Avery:

- Reviewed the revised specific parcel information and statistics for the Downtown Needham study area provided by DiNisco Design and their consultants on July 6, 2007.
- Obtained information on retail and office properties for the entire Town of Needham from the Assessors office.
- Reviewed the 14 meeting report minutes of the Needham Downtown Study committee.
- Obtained and analyzed demographic data pertaining to the subject market area and all of Needham.
- Surveyed the Downtown area, the Town of Needham, and the larger market in which it competes to derive ranges for rents and capitalization rates for retail, office, and residential (multi family) properties.
- Analyzed and reported all recent arms length sales of properties in the Downtown study area.
- Obtained a list of recent, active, and proposed development activity in the Town of Needham from the Planning Department and the Board of Appeals.
- Reviewed and analyzed all of the data and made projections for demand over the next 5 years for retail space, office space, and housing units in the Downtown study area.

The results of these discussions and data gathering are presented in the attached report.

### **EFFECTIVE DATE OF MARKET STUDY**

The effective date of this study is June 4, 2007. All data, analysis and conclusions are based upon facts in existence as of this date. This study is based, in part, upon revised data provided to Avery Associates by DiNisco Design on July 6, 2007. This data was, however, applicable as of the June 4, 2007 date of study.

### **INTENDED USE AND USER OF REPORT**

This market study is intended to provide DiNisco Design Partnership, representing the Town of Needham, specific market information regarding the competitive environment, strength of the market, rental and capitalization rate data, and supply and demand data in conjunction with a plan to revitalize the Downtown area of Needham.

## **MARKET DESCRIPTION & IDENTIFICATION**

The market being studied is Downtown Needham, Massachusetts. The downtown is centered around the intersection of Great Plain Ave (Route 135), Highland Ave, Chestnut Street and Dedham Ave. The study area is a narrow corridor, that extends 1 mile between the campus of Needham High School to the north and the Needham Junction MBTA commuter rail station to the south; and 0.40 miles between the post office property on Great Plain Ave to the west to the Pickering Street intersection to the east. A map showing the boundaries of the study area can be found in the Addenda to this report.

The downtown study area includes 131 parcels of land with 54.5+/- acres, improved with 1.23+/- million square feet of building area. Of the total building area, approximately 573,000 square feet is retail space and 283,000+/- square feet is office space. Buildings in the downtown are generally older (50+ years), one and two story structures, and are on parcels of land with insufficient parking. Most properties are in average to good overall condition.

There are two MBTA commuter rail line stations in the Downtown. One is at the very southern end of the district at the intersection of Junction and Chestnut Streets (*Needham Junction*). The other is off of Chapel Street closer to the center of Downtown (*Needham Center*). The Needham Line travels to South Station in Boston and back several times per day with 8-9 stops in between. There is parking available at each station (*173 and 36 spaces respectively*) for a charge in addition to the train fare.

There are two municipal parking lots in the Downtown, one off of Chestnut Street (182 spaces) and one off of Chapel Street (133 spaces).

Beth Israel Deaconess-Needham Medical Center is within the study area at 148 Chestnut Street. This is a 41 bed acute care facility, with 24 hour emergency room services that has served the towns of Needham, Dover, Dedham, Westwood, and Medfield for more than 80 years.

### **General Economic Conditions**

It is necessary to have an idea of current and expected economic condition when projecting current and future demand for retail, office, and housing space in the subject market area. With that in mind, we have examined the following economic indicators:

# EMPLOYMENT SITUATION

<u>Unemployment</u>	<u>Needham</u>	<u>Norfolk</u> <u>County</u>	<u>Bos-Camb-</u> <u>Quincy</u> <u>NECTA</u>	<u>Mass.</u>
Apr-07	2.8%	3.7%	4.0%	4.6%
Mar-07	2.8%	3.9%	4.3%	4.4%
Apr-06	3.1%	4.2%	4.4%	4.9%

<u># Employed (000's)</u>	<u>Needham</u>	<u>Norfolk</u> <u>County</u>	<u>Bos-Camb-</u> <u>Quincy</u> <u>NECTA</u>	<u>Mass.</u>
Apr-07	13.81	343.53	2,356.98	3,242.20
Mar-07	13.86	344.77	2,364.77	3,254.40
Apr-06	13.68	340.56	2,338.58	3,230.50

(Source: Mass Department of Employment & Training)

<u>United States</u>	<u>New</u> <u>Jobs</u> <u>Created</u>	<u>Unempl.</u> <u>Rate</u>
Apr-07	88,000	4.5%
Mar-07	177,000	4.4%
Feb-07	90,000	4.5%
Jan-07	162,000	4.6%
Dec-06	206,000	4.5%
Nov-06	154,000	4.5%
Oct-06	86,000	4.4%
Sep-06	203,000	4.6%
Aug-06	230,000	4.7%
Jul-06	123,000	4.8%
Jun-06	134,000	4.6%
May-06	100,000	4.7%

**146,083** (Per month average over past 12 months).

(Source: US Bureau of Labor Statistics)

## CONSUMER CONFIDENCE

		<u>National</u>
2007	May-07	108.0
	Apr-07	106.3
	Jan-07	110.2
2006	Oct-06	105.1
	Jul-06	107.0
	Apr-06	109.8
	Jan-06	106.8
2005	Oct-05	85.2
	Jul-05	103.6
	Apr-05	97.5
	Jan-05	105.1
2004	Oct-04	92.9
	Jul-04	105.7
	Apr-04	93.0
	Jan-04	96.8
2003	Oct-03	81.1
	Jul-03	76.6
	Apr-03	81.0
	Jan-03	78.8

(Source: The Conference Board)

## STOCK MKT & INTEREST RATE TRENDS

	<u>Closing Price 1-Jan-07</u>	<u>Closing Price 4-Jun-07</u>	<u>Change Since 1/1/2007</u>
Dow Jones Industrial	12,463.10	13,767.30	10.46%
S&P 500	1,418.30	1,539.18	8.52%
NASDAQ	2,415.30	2,618.30	8.40%
10 Year Treasury	4.71%	4.93%	22.0 basis pts.

## **The U.S. Economic Forecast**

Updated: April 30, 2007 by the Conference Board

	2007				2008		2006	2007	2008
	I Q*	II Q	III Q	IV Q	I Q	II Q	Annual	Annual	Annual
Real GDP	1.3	2.9	3.2	3.7	3.4	2.7	3.3	2.4	3.1
CPI Inflation	4.1	3.1	3.0	3.3	3.3	3.4	3.2	2.5	3.3
Real Consumer Spending	3.8	2.6	2.9	3.3	3.6	2.6	3.2	3.3	3.0
Unemployment Rate (%)	4.5	4.6	4.6	4.6	4.5	4.4	4.6	4.6	4.4
90 Day T-Bills (%)	5.03	5.13	5.38	5.72	5.80	5.80	4.72	5.32	5.80
10 Yr Treas Bonds (%)	4.69	4.89	4.89	5.14	5.39	5.00	4.79	4.90	5.20



The first 3 charts show employment, consumer confidence, and stock market trends over the past 6-36 months. In short, we have moderate job growth, a fairly confident consumer and a 'red' hot stock market.

The fourth chart, provided by the Consumer Confidence Board, projects interest rates and unemployment rates for the next 18 months.

In short, current economic conditions are positive, and the short term future conditions are forecast as positive as well. While interest rates are forecast to rise slightly, unemployment is expected to stay at historical lows. There are no 'storm clouds' seen in the near future for the economy.

## Recent Downtown Study Area Sales Activity

We searched for recent sales of properties in the Downtown Study area. A summary of these sales can be found below. The reason for researching and analyzing sales is to gauge the market's 'opinion' of the downtown area.

### IMPROVED PROPERTY SALES

Address	Sale Price	Sale Date	Site Size (sf)	Rentable Building Area (sf)	Price Per Sq Ft	Indicated Cap Rate (Ro)	Comments
1. 18-24 Chestnut St	\$1,175,000	28-Jun-06	5,663	9,224	\$127	7.90%	Brick, 2 story office abutting municipal parking; was 35% vacant at sale.
2. 1233 Highland Ave	\$1,850,000	10-May-04	24,110	17,051	\$108	7.66%	Two level, brick, multi tenant office building. Class C.
3. 905 Great Plain Av	\$1,050,000	14-Nov-05	6,634	4,747	\$221	n/a	Single story brick retail strip; corner of Pickering.
4. 380 Chestnut St	\$1,350,000	18-Oct-05	21,100	8,272	\$163	n/a	Single story masonry building housing YMCA. Likely a future re-development site.
5. 13 Highland Pl	\$375,000	13-Jan-06	4,791	2,312	\$162	n/a	2 story, wood frame converted house occupied by day spa.
6. 14-16 Eaton Sq	\$850,000	12-Apr-07	3,672	3,772	\$225	n/a	Brick, 2 story office off of Great Plain Ave, abutting MBTA parking lot.
7. 105-28 Chestnut	\$199,000	06-Oct-05	n/a	868	\$229	n/a	Office condo in Chestnut Green.

### LAND/RE-DEVELOPMENT SITE SALES

Address	Sale Price	Sale Date	Site Size (sf)	\$/Sq Ft of Land	Comments
1. 916 Great Plain Av	\$1,438,000	06-Feb-07	20,139	\$71.40	Theatre Block property with frontage on both GPA and Dedham. The 3,900 sf building likely to be razed or re-built/gut renovated.
2. 392 Chestnut St 14,24 Junction St	\$1,334,025	02-Jul-04	32,060	\$41.61	Corner site. A 9,939 sf brick office nearing comp. A 14,000+ sf portion of site remains for expansion/pking.
3. 380 Chestnut St	\$1,350,000	18-Oct-05	21,100	\$63.98	Included as building sale above. YMCA exists on site. Primary reason for purchase was for land.

The improved property sales are of generally older buildings on smaller parcels of land. Despite these flaws, the prices paid per sq. ft. are generally quite high. The indication is that the location within Needham is driving the prices high, not the condition or the quality of building.

## Development Activity

The following is a list of recent, active, and proposed development activity in all of Needham. This list is needed to properly project the *residual* demand that can be captured in the subject area. For example, if our analysis shows a demand for 100,000 square feet, but 30,000 square feet has been approved and is about to be built, then the actual demand left for the subject area is 70,000 sq. ft..

The following list was derived via discussion with the Town of Needham Planning Department and the Zoning Board of Appeals:

<u>Address</u>	<u>Plans</u>	<u>Status</u>	<u>Location in Town</u>
392 Chestnut St & 14, 24 Junction St	Develop 9,939 sf, 2 story office building.	80% complete	Downtown
916 Great Plain Ave	Possible re-development of former theatre with retail & resl.	Preliminary stage of planning	Downtown
868 Highland Ave	New 7,853 sf building w/ retail on first floor, resi on 2nd floor.	Approvals Pending	Avery Sq/Needham Heights
Chestnut/Junction	New YMCA; Multi purpose facility	Preliminary stage of planning	Downtown
1110 Great Plain Ave	Re-develop wood frame building into 15,755 sf of retail/residential	90% complete	Downtown
1000 Highland Ave	Re-develop former Zathmary's property into Citibank branch +	Under Construction	Avery Sq/Needham Heights
100-120 Highland Av	New 24,000 sf "Gateway Shops" retail.	Complete in '06. Now 65% leased.	Highland Corridor-Newton line
300 Second Ave	350 rental units via Chapter 40B.	Approvals Pending	NE Business District

## **RETAIL MARKET** **CURRENT CONDITIONS** **SUPPLY/DEMAND FORECAST**

### **Broader Retail Market**

The Greater Boston retail market improved in 2006 vs. 2005, both in terms of occupancy and rental rates. The overall 'west' market, where Needham is located per *Keypoint Partners*, is 5% vacant as of the 1<sup>st</sup> quarter of 2007.

National retailers, despite the low population growth, are enthralled with the Greater Boston area because of the very high income levels vs. the rest of the nation. Over the next five years, new retail space deliveries are expected to amount to 1% of existing inventory per year per Property Portfolio Research, Inc. The new construction will come mainly in the form of new 'lifestyle' centers. The 1% construction forecast is ½ of the historical average of 2% for the Greater Boston area.

From an investor's viewpoint the retail market in Greater Boston is as attractive as ever. Properties anchored by a major grocery store are the most sought after by investors. But virtually any property with a quality rent roll has several suitors if placed on the market. The result has been a plummeting in capitalization rates as investors are willing to accept lower returns to secure the property.

A summary of some actual capitalization rates from sales of retail properties in the general area over the past 3 years are as follows:

#### Capitalization Rates

<u>Address</u>	<u>Property Type</u>	<u>Sale Price</u>	<u>Sale Date</u>	<u>Indicated Cap Rate</u>	<u>Tenant Quality</u>
27 Wexford St, Needham	Retail	\$ 700,000	30-Aug-04	6.20%	Good
211,321 Alewife Brook, Cambridge	Retail	\$ 11,850,000	5-Feb-07	5.57%	Excellent
532-546 Main St, Melrose	Retail	\$ 1,425,000	5-Feb-07	8.22%	Average
2344-50 Mass Ave, Cambridge	Retail	\$ 1,245,000	16-Feb-07	8.80%	Average
48-50 Central Street, Wellesley	Retail	\$ 11,600,000	26-Oct-04	6.40%	Excellent
41 Waltham Street, Lexington	Ret/Office	\$ 3,125,000	3-Oct-05	6.34%	Aver-Good
41 Waltham Street, Lexington	Ret/Office	\$ 2,475,000	28-Jan-04	7.75%	Aver-Good
880-90 Rte 1, Dedham	Retail	\$ 4,200,000	10-Nov-04	9.00%	Average
75 Newbury St, Rte 1, Danvers	Retail	\$ 6,020,000	26-Jun-06	7.70%	Aver-Good
733 Turnpike St, N. Andover	Retail	\$ 3,400,000	19-Oct-05	7.13%	Aver-Good
75 Spring St, Shaws Plaza, W. Roxbury	Retail	\$ 22,800,000	8-Oct-04	6.90%	Excellent
Taunton Crossing, 9 Mozzone Blvd, Taunton	Retail	\$ 18,280,000	1-Jul-06	7.00%	Excellent
Brookside Shops, Acton	Retail	\$ 27,850,000	5-Jan-06	6.19%	Excellent
Burlington MarketPlace, Burlington	Retail	\$ 10,900,000	22-Sep-04	7.10%	Good
318-20 Main St, Malden	Retail	\$ 7,650,000	12-Apr-05	6.42%	Excellent
630-650 Boston Post Rd, Marlboro	Retail	\$ 4,140,000	14-Oct-05	7.22%	Aver-Good
Shops @ Solomon Pond	Retail	\$ 26,375,923	22-Jan-04	6.80%	Excellent
Heritage at Burlington, Burlington	Retail	\$ 26,000,000	8-Dec-04	7.75%	Good
94-98 Commonwealth, W. Concord	Ret/Office	\$ 1,700,000	8-Dec-05	5.98%	Aver-Good
Stow Shopping Center	Retail	\$ 12,300,000	24-Feb-05	8.13%	Aver-Good
Centre St. Village, Danvers	Retail	\$ 4,375,000	18-May-04	8.80%	Average
		<u>Low</u>	<u>High</u>	<u>Average</u>	
Korpacz National Strip Centers	Retail	5.80%	9.00%	7.38%	1Q/2007

#### **Downtown Needham Market**

The Downtown Needham retail market consists of approximately 573,000 sq. ft. of mainly class B and C space. Generally, properties tend to have very limited on site parking, if any. Despite these drawbacks, occupancy in the area is quite high. Based upon our survey, we found just 12,000+/- sq. ft. that is physically vacant. We found another 10,000+/- sq. ft. that was expected to come on the market in the next few months. Retail vacancy/availability is estimated at slightly under 4%.

The retail rental range in the Downtown area is \$18-\$35 per sq. ft. on NNN or fully net terms. The predominant range is \$21-\$25 per sq. ft.

## Demand/Supply Forecast

The best way to forecast current and future retail demand is by looking at spending patterns. Below are statistics from ESRI and the Census Bureau pertinent to a 3 mile ring around the Downtown Needham study area.

### Places: 3 Mile Radius: Intersection Great Plain Ave/Chestnut St

#### Summary Demographics

Year End 2006 Total Population (Current)	52,514	Year End 2011 Total Population (5 yr forecast)	53,118
Households	18,784	Households	19,065
Year End 2006 Median Household Income	\$ 122,507	Year End 2011 Median Household Income	\$ 153,878
Year End 2006 Median Disposable Income	\$ 84,082	Year End 2011 Median Disposable Income *	\$ 105,613
Year End 2006 Per Capita Income	\$ 63,669	Year End 2011 Per Capita Income *	\$ 79,973

#### Industry Summary

	Supply (Retail Sales)	Demand (Retail Potential)	Retail Gap
Total Retail Trade & Food & Drink	\$ 743,372,340	\$ 1,246,467,362	\$ 503,095,022
Total Retail Trade	\$ 637,171,102	\$ 1,067,789,571	\$ 430,618,469
Total Food & Drink	\$ 106,201,238	\$ 178,677,791	\$ 72,476,553
<b>Industry Group</b>			
Motor Vehicle & Parts Dealers	\$ 126,198,899	\$ 288,500,580	\$ 162,301,681
Furniture & Home Furnishings Stores	\$ 28,049,370	\$ 56,373,208	\$ 28,323,838
Electronics & Appliance Stores	\$ 82,311,373	\$ 41,825,865	\$ (40,485,508)
Building Materials, Garden Equip & Supply	\$ 21,847,309	\$ 44,332,125	\$ 22,484,816
Food & Beverage Stores	\$ 129,350,483	\$ 241,061,648	\$ 111,711,165
Grocery Stores	\$ 118,894,074	\$ 210,036,622	\$ 91,142,548
Specialty Food Stores	\$ 1,524,524	\$ 6,977,148	\$ 5,452,624
Beer, Wine & Liquor Stores	\$ 8,931,885	\$ 24,047,878	\$ 15,115,993
Health & Personal Care Stores	\$ 73,028,937	\$ 62,277,289	\$ (10,751,648)
Gasoline Stations	\$ 23,983,048	\$ 102,422,489	\$ 78,439,441
Clothing & Clothing Accessories	\$ 23,269,143	\$ 91,794,253	\$ 68,525,110
Sporting Goods, Hobby, Book, & Music	\$ 38,272,241	\$ 26,768,212	\$ (11,504,029)
General Merchandise Stores	\$ 38,390,814	\$ 57,463,046	\$ 19,072,232
Department Stores	\$ 6,481,485	\$ 29,805,759	\$ 23,324,274
Other General Merchandise Stores	\$ 31,909,329	\$ 27,657,287	\$ (4,252,042)
Miscellaneous Store Retailers	\$ 18,856,479	\$ 24,987,750	\$ 6,131,271
Non Store Retailers (Electronic Shopping)	\$ 33,613,006	\$ 29,983,106	\$ (3,629,900)
Food Services & Drinking Places	\$ 106,201,238	\$ 178,677,791	\$ 72,476,553

\* The projected median household income for year end 2011 is from ESRI forecasts. The estimates for year end 2011 median disposable income and per capita income are made by Avery Associates using the current ratios multiplied by the 2011 median HH income.

Within the 3 mile ring around the intersection of Chestnut Street and Great Plain Ave, there are 18,784 households. The median household income is \$122,507 and is projected to grow to \$153,878 in 5 years. The estimated amount of existing retail space within the 3 mile ring is 1,700,000 square feet based upon a review of retail sales and sales per square foot data per the Urban Land Institute's *Dollars and Cents of Shopping Centers*.

The Downtown Needham market contains 573,000 sq. ft. which is 34% of the larger 3 mile radius market.

The column above marked 'Supply' reports the amount of retail purchases broken down into categories for the most recent calendar year in the existing 1,700,000 square foot, 3 mile radius market. The column marked 'Demand' reports the amount of retail spending by the population living within the 3 mile radius. Per this data, 'Demand' outstrips 'Supply' by \$503,095,022. This means that the population in the 3 mile radius market is spending \$503,095,022 on goods and services *outside* of the area. This number suggests that there is demand for retail space here that outstrips the current supply.

We have eliminated certain categories above, where demand exists, that just wouldn't 'fit' in the 3 mile radius market. This includes most all automotive sales and services uses. These type of retailers need multi acre parcels which just aren't available in the 3 mile radius market. The result is a potential demand from excess retail sales of \$407,164,426.

We now convert this excess spending into retail space. *Dollars and Cents of Shopping Centers* published by the Urban Land Institute, suggest that average retail sales per sq. ft. for neighborhood shopping centers in the Northeast, adjusted for inflation, are approximately \$435. Taking the excess sales figures and dividing by the \$435 translates into a total demand for retail space in the 3 mile radius market of 936,010 sq. ft. At 34% of the larger 3 mile radius market, the subject, Downtown Needham's share of this excess demand is 315,529 square feet.

The 315,529 sq. ft. presumes that all dollars now being spent outside of the area by residents of the area, will now be spent in the market if all 315,529 sq.ft. is built. This is not realistic. Some residents will always choose to shop outside the area at a mall or outlet outside of the area. Presuming that only 70-80% of the demand could actually be captured, the amount of excess demand at present for the Downtown Needham market is estimated at 235,000 sq. ft. The calculations are as follows:

# DOWNTOWN NEEDHAM EXISTING RETAIL DEMAND POTENTIAL

Industry Group	Supply (Retail Sales)	Demand (Retail Potential)	Retail Gap
Furniture & Home Furnishings Stores	\$ 28,049,370	\$ 56,373,208	\$ 28,323,838
Bldg Materials, Garden Equip & Supply	\$ 21,847,309	\$ 44,332,125	\$ 22,484,816
Food & Beverage Stores			
Grocery Stores	\$ 118,894,074	\$ 210,036,622	\$ 91,142,548
Specialty Food Stores	\$ 1,524,524	\$ 6,977,148	\$ 5,452,624
Beer, Wine & Liquor Stores	\$ 8,931,885	\$ 24,047,878	\$ 15,115,993
Gasoline Stations	\$ 23,983,048	\$ 102,422,489	\$ 78,439,441
Clothing & Clothing Accessories	\$ 23,269,143	\$ 91,794,253	\$ 68,525,110
General Merchandise Stores	\$ 38,390,814	\$ 57,463,046	\$ 19,072,232
Miscellaneous Store Retailers	\$ 18,856,479	\$ 24,987,750	\$ 6,131,271
Food Services & Drinking Places	\$ 106,201,238	\$ 178,677,791	\$ 72,476,553
<b>Total Retail Gap for 3 Mile Radius</b>			<b>\$ 407,164,426</b>
Existing Retail Square Feet in 3 Mile Radius		1,700,000	
Existing Retail Square Feet in Downtown Needham		573,070	
Downtown's % of Larger Market		34%	
Potential Demand for Retail Space in 3 Mile Radius (sq ft)		936,010	
(Using \$435 for sales per sq ft from "Dollars & Cents of Shopping Centers" - Urban Land Institute)			
Downtown's Current Pro Rata Share of Existing Demand (sq ft)		315,529	sq ft is maximum amount of demand if Downtown captures its current pro rata share of the larger 3 mile radius market.
Assuming 75% Capture of its Current Share		236,647	
	<b>ROUNDED</b>	<b>235,000</b>	sq ft is reasonable given trend of very little new retail development in downtown in past 20 years.

This means that in addition to the existing 573,000 sq .ft. of retail space in the downtown market, spending patterns suggest that an additional 235,000 sq.ft. is in demand.

Over the next five years, the population in the area is projected to increase by 1.15%. The median household income is projected to increase 25.61%. Adjusting the existing retail gap by these figures translates into 1,054,149 square feet of excess demand assuming an inflation adjusted sales per sq. ft. of \$500. If we subtract the current excess demand of 936,010 sq. ft. from 1,054,149 we come to 118,139 sq. ft. of demand in 5 years. We offset this figure with expected new construction deliveries of 1% of existing inventory per year. The excess demand in 5 years in the 3 mile radius market is 33,139 sq. ft. Multiplying the subject's 34% share by this figure results in a demand in 5 years in the Downtown Needham market at 10,000 sq. ft. (rounded).

These calculations are shown below:

### DOWNTOWN NEEDHAM RETAIL DEMAND POTENTIAL - 5 Year Forecast

Existing Retail Square Feet in 3 Mile Radius	1,700,000	
Existing Retail Square Feet in Downtown Needham	573,070	
Downtown's % of Larger Market	34%	
Projected Increase in Population in 3 Mile Radius in 5 Yrs	1.15%	
Projected Increase in Median HH Income in 3 Mile Radius in 5 Yrs	25.61%	
Existing Total Retail Gap for 3 Mile Radius	\$ 407,164,426	
Projected Total Retail Gap for 3 Mile Radius in 5 Years	\$ 527,074,349	
Potential Demand for Retail Space in 3 Mile Radius (sq ft) in 5 Yrs (Using \$500 for sales per sq ft from "Dollars & Cents of Shopping Centers" - Urban Land Institute)	1,054,149	
Existing Demand for Retail Space in 3 Mile Radius (sq ft)	936,010	
Change in Demand in 5 Years for 3 Mile Radius	118,139	
	<i>less</i>	
Anticipated Supply Additions at 1% of Existing Inventory/Year	85,000	
Excess Demand in 5 Years for 3 Mile Radius	33,139	
Downtown's Pro Rata Share of Excess Demand (sq ft)	11,171	sq ft is maximum amount of excess demand if Downtown captures its current pro rata share of the larger 3 mile radius market.
Assuming 75% Capture of its Current Share	8,378	
	<b>ROUNDED</b>	
	<b>10,000</b>	sq ft is reasonable given trend of very little new retail development in downtown in past 20 years.

In summary, the total amount of additional demand for retail space in the Downtown Needham market between over the next five years is 245,000 sq. ft.

# OFFICE MARKET **CURRENT CONDITIONS** **SUPPLY/DEMAND FORECAST**

## **Broader Office Market**

In terms of rental rates and occupancy the regional office markets continue to slowly recover from a downturn that began in late 2000, following the crash of the 'dot.com' industry and the effects of the 9/11/01 terrorist attacks.

A stabilization and a tepid recovery of the markets began in 2003. Rental rates increased from this point through most of 2004, stagnated for two years, and are once again on the upswing. In certain sectors of the suburban market, most notably Waltham, new construction has begun to occur.

The following is a summary of regional vacancy surveys completed by local full service brokerage firms, for the office market in the Route 128/Mass Pike suburban market of which Needham is a part:

### 1st Quarter 2007

#### Route 128/Mass Pike - Office

<u>Source</u>	<u>Vacancy %</u>	<u>Available %</u>	<u>Average Asking Rent per s/f **</u>
CB Richard Ellis	13.60%	16.80%	\$27.63
Cushman-Wakefield	10.30%	12.10%	\$35.23
Richards, Barry, Joyce	14.70%	17.80%	\$27.31
Jones, Lang, LaSalle	9.10%	14.00%	\$28.28
CoStar	11.00%	14.00%	^^ \$25.99
<b>Average of Surveys</b>	<b>11.74%</b>	<b>14.94%</b>	<b>\$28.89</b>

(\*\* The average asking rents are quoted gross exclusive of tenant electricity).

(^^ The CoStar survey includes the Town of Needham only).

While the demand to *lease* space over the past few years has been 'tepid', the demand to *purchase* well located properties has been nearly insatiable. Investors seeking income producing properties, armed with what seems like an endless supply of capital have pushed prices up and capitalization rates way down. This is for all sectors of the commercial markets including office, flex, industrial, retail, and apartments.

A summary of some actual capitalization rates from sales of office properties in the general area over the past 3 years are as follows:



### Capitalization Rates

<u>Address</u>	<u>Property Type</u>	<u>Sale Price</u>	<u>Sale Date</u>	<u>Indicated Cap Rate</u>	<u>Building Class</u>
464 Hillside Ave, Needham	Office	\$ 10,100,000	17-Nov-06	7.10%	A
18-24 Chestnut St, Needham	Office	\$ 1,175,000	28-Jun-06	7.90%	C
1233 Highland Ave, Needham	Office	\$ 1,850,000	10-May-04	7.56%	C
75 Second Ave, Needham	Office	\$ 22,000,000	16-Nov-06	7.13%	A
554 Clark Rd, Tewksbury	Off-Ind	\$ 10,852,500	16-May-07	7.80%	B/C
117 Kendrick St, Needham	Office	\$ 37,500,000	19-Apr-05	7.50%	A
1432 Main St, Waltham	Office	\$ 21,000,000	15-Mar-07	6.95%	A
725 Canton St, Norwood	Office	\$ 6,200,000	12-Apr-07	7.80%	B
233 Needham St, Newton	Office	\$ 11,500,000	24-Jan-07	6.70%	A
100 Technology Dr, Stoughton	Office	\$ 45,500,000	20-Mar-07	6.21%	A
980-90 Washington St, Dedham	Office	\$ 20,500,000	6-Feb-07	8.12%	B
Great Woods Pk, Mansfield	Office	\$ 6,764,000	23-Mar-07	8.20%	B
Tumpike Road, N. Andover	Office	\$ 11,700,000	19-Dec-06	7.60%	B
4, 5 Cambridge Center, Cambridge	Office	\$ 151,000,000	29-Nov-06	6.20%	A
321 Commonwealth, Wayland	Office	\$ 5,900,000	19-Oct-06	9.50%	B/C
Campus Dr, Marlboro	Office	\$ 113,716,000	22-Sep-06	6.19%	A
2 Hampshire St, Foxboro	Office	\$ 19,250,000	14-Apr-05	7.52%	B
950 Winter Street, Waltham	Office	\$ 272,500,000	21-Jan-05	6.80%	A
		<u>Low</u>	<u>High</u>	<u>Average</u>	
Korpacz National Suburban Office	Office	5.00%	10.50%	7.65%	1Q/07
Korpacz Boston Office Mkt	Office	5.50%	10.25%	7.57%	1Q/07

Those purchasing commercial properties for owner occupancy have also pushed prices higher, aided by historically low commercial loan rates.

We have tracked a number of 'repeat sales' of office properties in suburban Boston between 2000 and the present; properties which have sold two or more times in this period, and found appreciation rates ranging from 3.8% to over 30% annually. In some cases, the extraordinary increase in price between the oldest and most recent transaction has been due to a significant increase in occupancy. However, even in cases where nothing has changed with the property between sales, positive appreciation is clearly indicated.

### **Downtown Needham Market**

In all of Needham, there is 3,152,045 sq. ft. of class A, B, and C office space per assessors records. The Downtown Needham office market consists of approximately 283,000 sq. ft. of mainly class B and C space, or 9% of the town's total. Properties tend to have very little on site parking, if any. Much of the space is on the 2<sup>nd</sup> and 3<sup>rd</sup> floors of buildings with retail on the first level. A significant portion of the office space on Chestnut Street is occupied by doctors and medical specialists affiliated with the nearby Beth Israel Deaconess-Needham hospital.

- Office vacancy/availability is approximately 5%.
- The office rental range in the Downtown area is \$16-\$35 per sq. ft. on gross plus tenant electric terms. The predominant range is \$19-\$26 per sq. ft.

## Demand/Supply Forecast

Whereas retail spending trends are the primary driver for forecasting demand for retail space, job and population growth are the main drivers for the future demand of office space. But more specifically, job growth for which use of office space is likely.

Per our ESRI workforce projections, the total number of new workers in Needham over the next 5 years is 132. Of this total, 103 are projected to be in industries likely to use office space. Multiplying this by the typical amount of square feet used per office worker per BOMA standards, the total demand for office space in all of Needham over the next five years is 30,888. The downtown's pro rata share is 2,778 sq. ft.

On top of the 2,778 sq. ft., per our discussions with professionals representing BID-Needham, they would lease an additional 30,000 sq. ft. of office space for physicians right now in the Downtown if they could. They have already committed to lease the entire new 10,000 sq. ft. being built at 392 Chestnut Street by Petrini Corp.

BID-Needham, with their planned 'Phase I' expansion, indicates that will create demand for an additional 30,000 sq. ft. of office space.

Therefore in summary, between now and 5 years hence, we have demand of 2,778 sq. ft. from projected job growth; 30,000 sq. ft. of current demand from BID-Needham; a projected 30,000 sq.ft. of additional demand for office space with the Phase I expansion at BID-Needham. This indicated demand is offset with the expected delivery of 10,000 sq. ft. of new space at 392 Chestnut Street in the coming weeks. This leaves a total demand between now and 5 years of 50,000 sq. ft. of additional office space in the Downtown. The calculations are as follows:

### DOWNTOWN NEEDHAM OFFICE DEMAND POTENTIAL - 5 Year Forecast

Existing Office Space, All Classes, in Needham	3,152,045
Existing Office Square Feet in Downtown Needham	283,453
Downtown's % of Larger Market	8.99%
Existing Workforce in Needham	13,158
% in Industries Using Office Space	78%
Projected Increase in Needham Workforce in 5 Years	132
# of New Workers Using Office Space	103
Potential Sq Ft of New Demand for Office Space in All of Needham in 5 Years (office workers x 300 per sq ft)	30,888
Downtown's Pro Rata Share of Potential New Demand (sq ft)	2,778
<i>plus</i>	
Existing Excess Demand for Office Space from BID/Needham Hospital (sq ft)	30,000
Projected Additional Demand Assuming Phase I Expansion in 2-4 yrs (sq ft)	30,000
<i>less</i>	
Anticipated Downtown Deliveries of Office Space (sq ft)	10,000
Projected Excess Downtown Demand for Office Space in 5 Years (sq ft)	52,778
<b>ROUNDED</b>	<b>50,000</b>

# HOUSING MARKET **CURRENT CONDITIONS** **SUPPLY/DEMAND FORECAST**

## **Broader Housing Market**

There is no doubt the housing market in the Greater Boston area is in a down period. Between 1998 and 2004 the market was characterized by rising prices, high demand and few properties on the market for sale. Beginning in the 2<sup>nd</sup> and 3<sup>rd</sup> quarter of 2005 the market simply began to run out of gas. Between then and now there have been endless stories in the media about the market. Some project a true crash in prices. Other stories suggest the market has already turned the corner. The truth is that sales volume did decline drastically in '05 and '06 versus '04. Prices have declined, but not drastically.

The following statistics from the Office of Federal Housing Enterprise Oversight suggest a modest downturn in prices in most sectors of Massachusetts, including the Cambridge-Newton-Framingham MSA where Needham is located:

### OFHEO HOUSING PRICE INDEX

	Last Quarter <u>Q1/2007</u>	Last <u>1 Year</u>	Last <u>5 Years</u>
Boston-Quincy MSA	-0.66%	-1.32%	43.71%
Camb-Newton-Framingham MSA	-0.31%	-0.50%	33.86%
Springfield, MSA	-0.73%	2.71%	58.21%
Worcester MSA	-1.10%	-1.10%	44.70%
Massachusetts	-0.47%	-0.56%	43.52%

(Source: Office of Federal Housing Enterprise Oversight)

In terms of just Needham, the following statistics from MLS indicate that the housing market may have indeed turned the corner. The number of listings is down, prices are up, and pending sales activity is up from one year earlier:

<u>VOLUME OF SALES/LISTINGS TRENDS</u>					<u>PRICE TRENDS</u>		
<u>ACTIVE LISTINGS</u>		#		% Change	Average Price		% Change
Current Supply of SF Homes (5/29/2007)	Needham	134	Down	-25.14%	\$ 976,040	Up	5.61%
Supply of SF Homes 1 Year Ago (5/29/2006)	Needham	179	----	----	\$ 924,162	----	----
Current Supply of Condo Units (5/29/2007)	Needham	44	Up	62.96%	\$ 533,061	Down	-1.13%
Supply of Condo Units 1 Year Ago (5/29/2006)	Needham	27	----	----	\$ 539,151	----	----
<u>PENDING SALES</u>							
# of SF Homes; Went Under Agmt; (5/30/06 - 5/29/07)	Needham	364	Up	5.51%	\$ 870,855	Up	3.18%
# of SF Homes; Went Under Agmt; (5/30/05 - 5/29/06)	Needham	345	----	----	\$ 844,032	----	----
# of Condo Units; Went Under Agmt; (5/30/06 - 5/29/07)	Needham	44	Up	2.33%	\$ 569,104	Up	3.34%
# of Condo Units; Went Under Agmt; (5/30/05 - 5/29/06)	Needham	43	----	----	\$ 550,713	----	----
<u>CLOSED SALES</u>							
Total Closed Sales of SF Homes (5/30/06 - 5/29/07)	Needham	323	Up	12.15%	\$ 767,527	Down	-2.16%
Total Closed Sales of SF Homes (5/30/05 - 5/29/06)	Needham	288	----	----	\$ 784,508	----	----
Total Closed Sales of Condo Units (5/30/06 - 5/29/07)	Needham	36	Down	-2.70%	\$ 545,643	Up	0.20%
Total Closed Sales of Condo Units (5/30/05 - 5/29/06)	Needham	37	----	----	\$ 544,577	----	----
SOURCE: MLS Statistics							

## Multi Family Market

The multi family investment market, like that of the retail and office markets, has also been quite healthy and characterized by rising prices and declining capitalization rates. However, in the case of multi family properties, cap rates are even lower than that of retail and office, overall.

<u>Address</u>	<u>Property Class</u>	<u># of Units</u>	<u>Sale Price</u>	<u>Price Per Unit</u>	<u>Sale Date</u>	<u>Indicated Cap Rate</u>	<u>Condition At Sale</u>	<u>Year Built</u>
66-108 Devir, Malden	B	118	\$ 17,882,000	\$ 151,542	6-Mar-07	6.35%	Aver-Good	1978
37 Peach Orchard, Burlington	A/B	312	\$ 71,700,000	\$ 229,808	20-Mar-07	5.65%	Good	1988
1 Walnut Terr, Newton	C	12	\$ 2,300,000	\$ 191,667	29-Jan-07	7.25%	Average	1910
605 Broad St, Weymouth	B	39	\$ 4,485,000	\$ 115,000	30-May-06	6.35%	Aver-Good	1975
1861-67 Middlesex St, Lowell	C	60	\$ 4,875,000	\$ 81,250	26-Apr-06	6.98%	Aver-Good	1968
47 Princeton St, Leominster	C	120	\$ 9,375,000	\$ 78,125	12-Sep-06	7.30%	Aver-Good	1971
265 3rd St, Cambridge	A	186	\$ 66,000,000	\$ 354,839	30-Nov-05	4.95%	Excellent	1998
500 Broadway, Malden	A	295	\$ 55,400,000	\$ 187,797	28-Feb-05	5.80%	Excellent	2000
Fairhaven Gardens, Concord	A	42	\$ 10,000,000	\$ 238,095	11-Aug-05	7.71%	Excellent	2004
			<u>Low</u>	<u>High</u>	<u>Average</u>			
Korpacz National Apartment	A,B		3.50%	8.00%	5.89%	1Q/2007		

## Downtown Needham Market

There is scant housing supply in the Downtown Needham study area. Per assessors records there are approximately 70 units. This includes a newer, 28 unit apartment complex at 141 Chestnut Street reserved for adults 55+ years in age, and a 6 unit moderate income condo development off of Junction Street. Both developments were constructed in 2000-2001. The lack of housing in the Downtown is not necessarily a function of market conditions, but rather the history of zoning in the area.

Of the 70+/- housing units in the downtown area, only 3-4 were vacant or available.

Unlike the retail and office sectors, there simply is not a sufficient pool of Downtown rental activity to provide a range for this location. Residential rents in the larger market in which Needham competes are:

Class A:	1BR - \$1,900/mo	2BR - \$2,400/mo
Class B:	1BR - \$1,500/mo	2BR - \$1,700/mo
Class C:	1BR - \$950/mo	2BR - \$1,350/mo

## Demand/Supply Forecast

Based upon a review of existing market conditions it is our opinion that there is little to no demand at *present* for *new* housing in Needham. The market is in balance.

Projected population growth/household formation is the primary driver for projected *future* housing demand. The following summarizes the current and 5 year projection for all of Needham:

Places: Town of Needham

	Census 2000		Year End 2006		Year End 2011	
	<u>Number</u>	<u>Percent</u>	<u>Number</u>	<u>Percent</u>	<u>Number</u>	<u>Percent</u>
Total Housing Units	10,846	100%	10,991	100%	11,170	100%
Occupied	10,612	97.8%	10,681	97.2%	10,821	96.9%
Owner	8,587	79.2%	8,758	79.7%	8,876	79.5%
Renter	2,025	18.7%	1,923	17.5%	1,945	17.4%
Vacant	234	2.2%	310	2.8%	349	3.1%

The projections indicate a total of 143 owner occupied and 31 rental units (total) over 5 years. This relatively low population/household growth projection is not unique to Needham. Demographers simply consider most municipalities along and inside the Route 128 built of Greater Boston at, or near a maximum buildout situation.

Moving forward in our demand projections, we now need to offset the projected demand with pending supply. Based upon the records of the planning department in Needham, at least 375 new rental units are in the pipeline in town and 150 new owner occupied housing units can be expected based upon recent trends. We can also expect some demolitions to reduce existing supply. There were 25 in 2006 alone.

Starting with this the projected demand, then subtract pending supply and adding expected demolitions, the projected need for housing in Needham over the next five years is actual *negative*. The calculations are as follows:

**DOWNTOWN NEEDHAM RESIDENTIAL HOUSING DEMAND POTENTIAL- 5 Year Forecast**

Existing Housing Units in All of Needham		10,991
	Owner	8,758
	Renter	1,923
	Vacant	310
Projected Housing Units in Needham in 5 Years		11,170
	Owner	8,876
	Renter	1,945
	Vacant	349
Existing Demand for Housing Units		
	Owner Occupied	none, in balace
	Rental	none, in balace
Demand for Housing in 5 Year in All of Needham		
	Owner Occupied	143 units
	Rental	31 units
		<i>less</i>
Pending Supply of Owner Occupied Units (estimated)		150
Pending Supply of Rental Units (estimated)		375
		<i>plus</i>
Projected Demolitions (25 per year)		125
Residual Demand for Housing in 5 Years in All of Needham		(288)
Downtown Needham Share		0

To this point in the analysis, we have followed traditional numerical models of projecting demand for real estate. However, based upon our observations in the market, we simply don't believe that there will be *negative* demand for housing in Needham over the next 5 years.

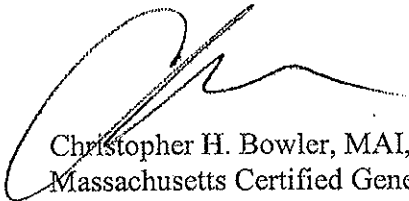
We have observed several new developments, in downtown areas near commuter rail lines, within towns with similar low growth projections to Needham, succeed over the past few years. *Station Crossing* in Melrose and *Wakefield Crossing* in Wakefield are but two. These are 48 and 164 unit condominium developments near MBTA commuter rail lines respectively. The former sold out in 2005. The latter is near sellout and has garden style units priced from the mid \$300,000 range to over \$500,000. This development has been selling out despite tough market conditions. The development appeals to both young professionals seeking convenience to the MBTA and major highways, and the 55+ buyer that wants new construction and convenience to downtown attractions. We are certain that a limited number of small to mid scale projects in Downtown Needham would enjoy similar success.

In summary, while statistical evidence suggests that any demand for future housing in Needham and the Downtown area will be satisfied with projects currently in the planning process, market evidence suggests that two or three small projects, between 16 and 48 units each would succeed in the Downtown area either in the form of condominium or rental housing.

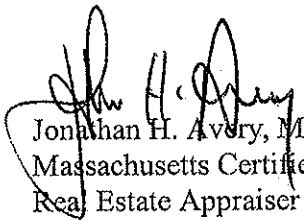
## CERTIFICATION

We certify that, to the best of our knowledge and belief:

- the statements of fact contained in this report are true and correct.
- the reported analyses, opinions, and conclusions are limited only by the reported assumptions and limiting conditions, and are our personal, impartial, and unbiased professional analyses, opinions, conclusions, and recommendations.
- we have no present or prospective interest in the property that is the subject of this report, and we have no personal interest with respect to the parties involved.
- we have no bias with respect to any property that is the subject of this report or to the parties involved with this assignment.
- our engagement in this assignment was not contingent upon developing or reporting predetermined results.
- our compensation for completing this assignment is not contingent upon the development or reporting of a predetermined value or direction in value that favors the cause of the client, the amount of the value opinion, the attainment of a stipulated result, or the occurrence of a subsequent event directly related to the intended use of this appraisal.
- our analyses, opinions, and conclusions were developed, and this report has been prepared, in conformity with the Uniform Standards of Professional Appraisal Practice, where applicable.
- Christopher H. Bowler and Jonathan H. Avery have each made a personal inspection of the property that is the subject of this report.
- no one provided significant real property consulting assistance to the persons signing this certification.



Christopher H. Bowler, MAI, SRA  
Massachusetts Certified General  
Real Estate Appraiser #495



Jonathan H. Avery, MAI, CRE  
Massachusetts Certified General  
Real Estate Appraiser #26

**ADDENDA**



## **3 MILE RADIUS DEMOGRAPHIC DATA**



# Retail MarketPlace Profile

Prepared by

1 Chestnut St  
Needham, MA 02492

Site Type: Radius

Latitude: 42.2801  
Longitude: -71.237184  
Radius: 3.0 mile

## Summary Demographics

2006 Population	52,514
2006 Households	18,784
2006 Median Disposable Income	\$84,082
2006 Per Capita Income	\$63,669

## Industry Summary

	Supply (Retail Sales)	Demand (Retail Potential)	Retail Gap	Leakage/Surplus Factor	Number of Businesses
Total Retail Trade and Food & Drink (NAICS 44-45, 722)	\$743,372,340	\$1,246,467,362	\$503,095,022	25.3	429
Total Retail Trade (NAICS 44-45)	\$637,171,102	\$1,067,789,571	\$430,618,469	25.3	339
Total Food & Drink (NAICS 722)	\$106,201,238	\$178,677,791	\$72,476,553	25.4	90

Industry Group	Supply (Retail Sales)	Demand (Retail Potential)	Retail Gap	Leakage/Surplus Factor	Number of Businesses
Motor Vehicle & Parts Dealers (NAICS 441)	\$126,198,899	\$288,500,580	\$162,301,681	39.1	6
Automobile Dealers (NAICS 4411)	\$125,456,370	\$247,509,575	\$122,053,205	32.7	4
Other Motor Vehicle Dealers (NAICS 4412)	\$0	\$24,114,094	\$24,114,094	100.0	0
Auto Parts, Accessories, and Tire Stores (NAICS 4413)	\$742,529	\$16,876,911	\$16,134,382	91.6	2
Furniture & Home Furnishings Stores (NAICS 442)	\$28,049,370	\$56,373,208	\$28,323,838	33.6	23
Furniture Stores (NAICS 4421)	\$8,497,735	\$28,212,948	\$19,715,213	53.7	7
Home Furnishings Stores (NAICS 4422)	\$19,551,635	\$28,160,260	\$8,608,625	18.0	16
Electronics & Appliance Stores (NAICS 443/NAICS 4431)	\$82,311,373	\$41,825,865	\$-40,485,508	-32.6	83
Bldg Materials, Garden Equip. & Supply Stores (NAICS 444)	\$21,847,309	\$44,332,125	\$22,484,816	34.0	33
Building Material and Supplies Dealers (NAICS 4441)	\$20,408,323	\$41,170,757	\$20,762,434	33.7	26
Lawn and Garden Equipment and Supplies Stores (NAICS 4442)	\$1,438,986	\$3,161,368	\$1,722,382	37.4	7
Food & Beverage Stores (NAICS 445)	\$129,350,483	\$241,061,648	\$111,711,165	30.2	21
Grocery Stores (NAICS 4451)	\$118,894,074	\$210,036,622	\$91,142,548	27.7	14
Specialty Food Stores (NAICS 4452)	\$1,524,524	\$6,977,148	\$5,452,624	64.1	4
Beer, Wine, and Liquor Stores (NAICS 4453)	\$8,931,885	\$24,047,878	\$15,115,993	45.8	3
Health & Personal Care Stores (NAICS 446/NAICS 4461)	\$73,028,937	\$62,277,289	\$-10,751,648	-7.9	19
Gasoline Stations (NAICS 447/4471)	\$23,983,048	\$102,422,489	\$78,439,441	62.1	10
Clothing and Clothing Accessories Stores (NAICS 448)	\$23,269,143	\$91,794,253	\$68,525,110	59.6	33
Clothing Stores (NAICS 4481)	\$15,416,280	\$72,127,487	\$56,711,207	64.8	20
Shoe Stores (NAICS 4482)	\$1,291,871	\$10,845,169	\$9,553,298	78.7	1
Jewelry, Luggage, and Leather Goods Stores (NAICS 4483)	\$6,560,992	\$8,821,597	\$2,260,605	14.7	12
Sporting Goods, Hobby, Book, and Music Stores (NAICS 451)	\$38,272,241	\$26,768,212	\$-11,504,029	-17.7	32
Sporting Goods/Hobby/Musical Instrument Stores (NAICS 4511)	\$19,682,325	\$15,482,577	\$-4,199,748	-11.9	26
Book, Periodical, and Music Stores (NAICS 4512)	\$18,589,916	\$11,285,635	\$-7,304,281	-24.4	6

**Data Note:** Supply (retail sales) estimates sales to consumers by establishments. Sales to businesses are excluded. Demand (retail potential) estimates the expected amount spent by consumers at retail establishments. Supply and demand estimates are in current dollars. The Leakage/Surplus Factor presents a snapshot of retail opportunity. This is a measure of the relationship between supply and demand that ranges from +100 (total leakage) to -100 (total surplus). A positive value represents 'leakage' of retail opportunity outside the trade area. A negative value represents a surplus of retail sales, a market where customers are drawn in from outside the trade area. The Retail Gap represents the difference between Retail Potential and Retail Sales. ESRI uses the North American Industry Classification System (NAICS) to classify businesses by their primary type of economic activity. Retail establishments are classified into 27 industry groups in the Retail Trade sector, as well as four industry groups within the Food Services & Drinking Establishments subsector.

Source: ESRI and InfoUSA®



## Retail MarketPlace Profile

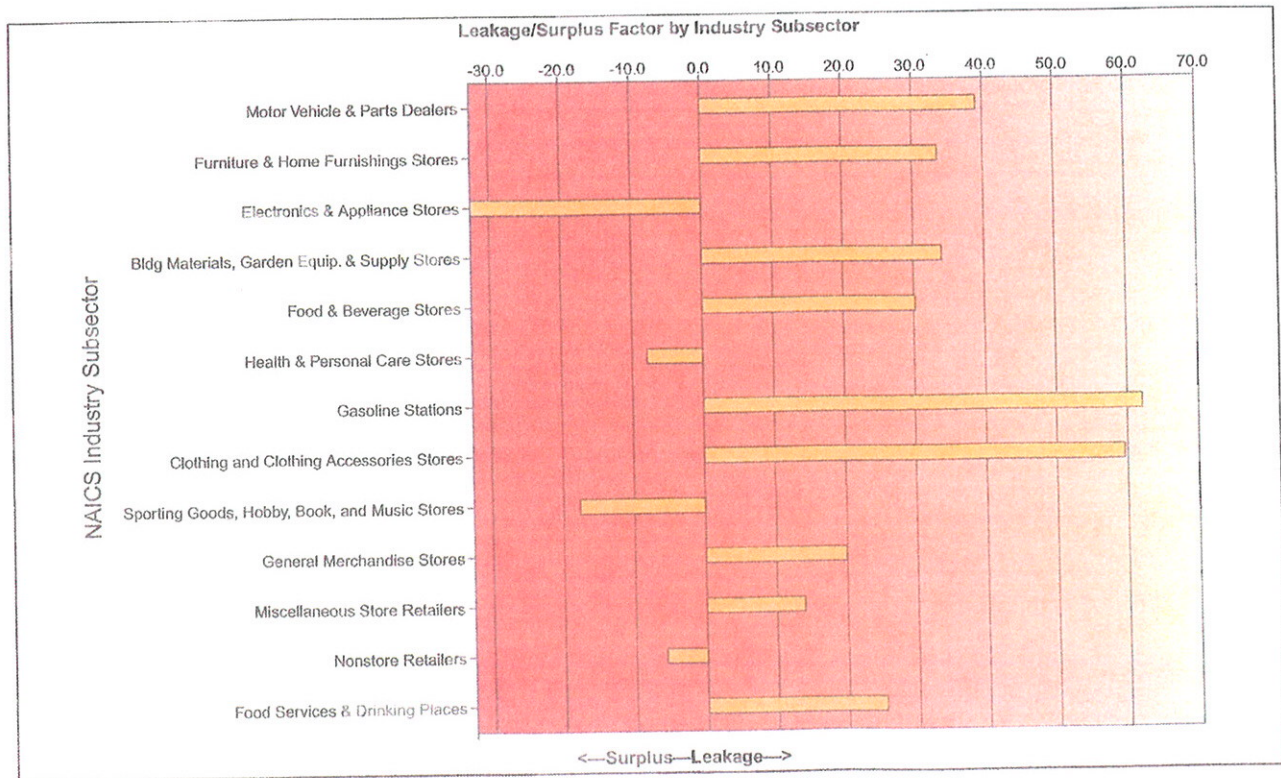
Prepared by

1 Chestnut St  
Needham, MA 02492

Site Type: Radius

Latitude: 42.2801  
Longitude: -71.237184  
Radius: 3.0 mile

Industry Group	Supply (Retail Sales)	Demand (Retail Potential)	Retail Gap	Leakage/Surplus Factor	Number of Businesses
General Merchandise Stores (NAICS 452)	\$38,390,814	\$57,463,046	\$19,072,232	19.9	8
Department Stores Excluding Leased Depts.(NAICS 4521)	\$6,481,485	\$29,805,759	\$23,324,274	64.3	3
Other General Merchandise Stores (NAICS 4529)	\$31,909,329	\$27,657,287	\$-4,252,042	-7.1	5
Miscellaneous Store Retailers (NAICS 453)	\$18,856,479	\$24,987,750	\$6,131,271	14.0	67
Florists (NAICS 4531)	\$1,265,889	\$4,094,824	\$2,828,935	52.8	9
Office Supplies, Stationery, and Gift Stores (NAICS 4532)	\$3,888,226	\$8,865,348	\$4,977,122	39.0	15
Used Merchandise Stores (NAICS 4533)	\$3,796,570	\$1,162,478	\$-2,634,092	-53.1	21
Other Miscellaneous Store Retailers (NAICS 4539)	\$9,905,794	\$10,865,100	\$959,306	4.6	22
Nonstore Retailers (NAICS 454)	\$33,613,006	\$29,983,106	\$-3,629,900	-5.7	4
Electronic Shopping and Mail-Order Houses (NAICS 4541)	\$0	\$9,580,287	\$9,580,287	100.0	0
Vending Machine Operators (NAICS 4542)	\$0	\$6,995,355	\$6,995,355	100.0	0
Direct Selling Establishments (NAICS 4543)	\$33,613,006	\$13,407,464	\$-20,205,542	-43.0	4
Food Services & Drinking Places (NAICS 722)	\$106,201,238	\$178,677,791	\$72,476,553	25.4	90
Full-Service Restaurants (NAICS 7221)	\$84,824,213	\$116,913,299	\$32,089,086	15.9	5
Limited-Service Eating Places (NAICS 7222)	\$14,184,852	\$39,649,284	\$25,464,432	47.3	76
Special Food Services (NAICS 7223)	\$7,192,173	\$12,978,794	\$5,786,621	28.7	9
Drinking Places - Alcoholic Beverages (NAICS 7224)	\$0	\$9,136,414	\$9,136,414	100.0	0



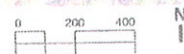
Source: ESRI and infoUSA®

**DOWNTOWN STUDY AREA MAP**





Leedsham Downtown Study Area

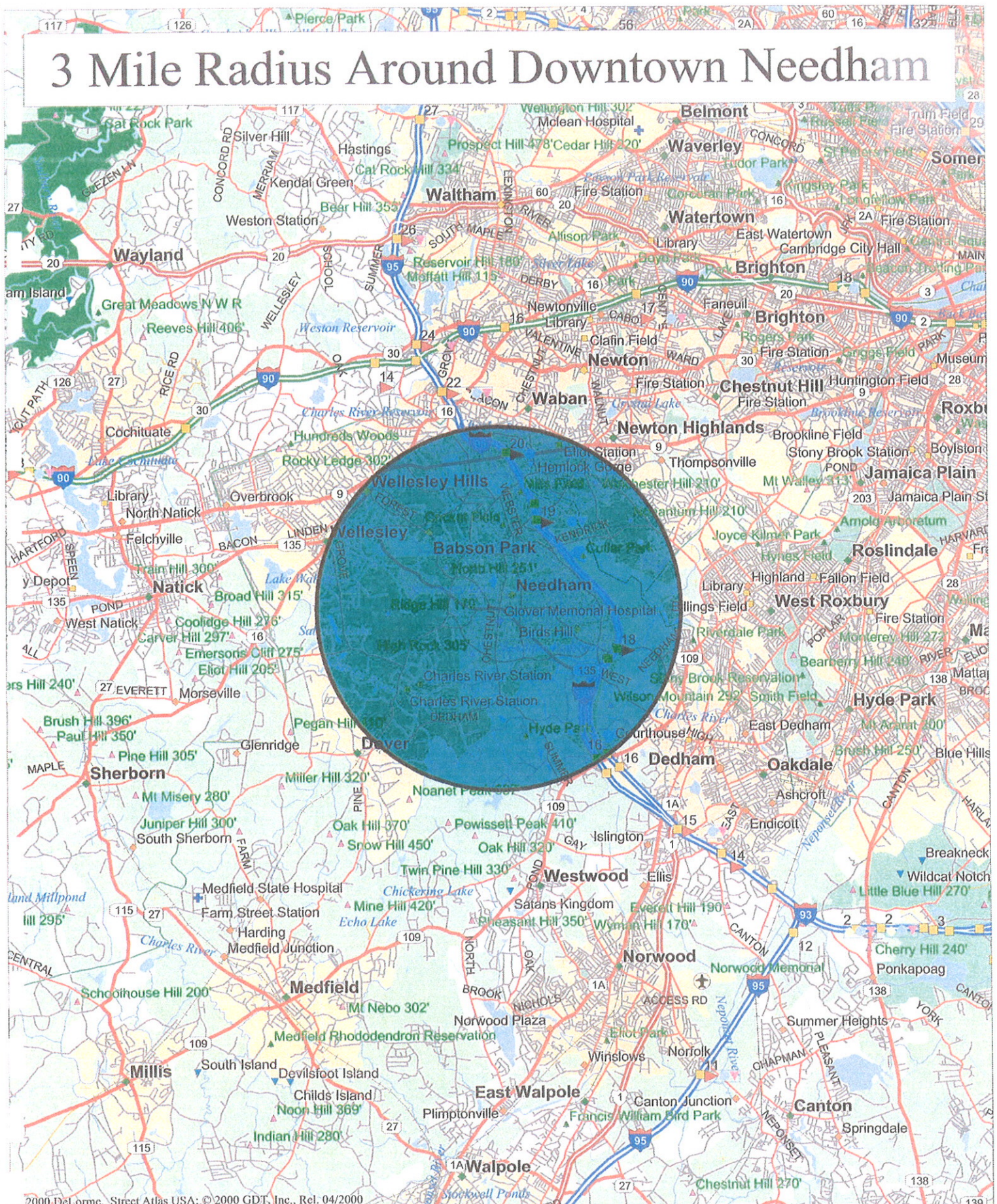




**3 MILE RADIUS MAP**



# 3 Mile Radius Around Downtown Needham





## **SOURCES**

- Demographic – ESRI, Info USA, STDBonline, US Census Bureau.
- Municipal - Needham Assessors Department, Needham Planning Department, Downtown Study Committee Meeting Notes.
- Market Data – COSTAR Comps, MLSPIN, Local Brokers, Landlords, Keypoint Partners, LLC, Property Portfolio Research, Inc., Jones Lang LaSalle, Richards Barry Joyce, Cushman & Wakefield, CBRE Richard Ellis
- DiNisco Design, Judi Barrett



## **QUALIFICATIONS**

<p style="text-align: center;"><b>QUALIFICATIONS OF CHRISTOPHER H. BOWLER</b> <b>REAL ESTATE APPRAISER</b></p>
--

**EDUCATION**

- BA Economics, Union College, Schenectady, New York 1987
- Appraisal Institute
  - Course SPP Standards of Professional Practice
  - Course 1A-1 Basic Appraisal Principles, Methods and Techniques
  - Course 1A-2 Basic Valuation Theory and Techniques
  - Course 8-1 Residential Valuation
  - Course 1B-A Capitalization Theory & Techniques Part A
  - Course 1B-B Capitalization Theory & Techniques Part B
  - Course 550 Advanced Applications
  - Course 410 Standards of Professional Practice Part A
  - Course 420 Standards of Professional Practice Part B
  - Course 540 Report Writing & Valuation Analysis

**PROFESSIONAL AND TRADE AFFILIATIONS**

- Appraisal Institute
  - 2000 - Member of Appraisal Institute - MAI Designation #11564
  - 1992 - Senior Residential Appraiser - SRA Designation
  - 1997 - Residential Admissions Chairman, Greater Boston Chapter
  - 1998-9 - Education Chairman - Seminars, Greater Boston Chapter
  - 2000-3 - By-Laws Chairman, Greater Boston Chapter
  - 2000 - Regional Representative, Greater Boston Chapter
  - 2002-4 Director, Massachusetts Chapter
  - 2005 Secretary, Massachusetts Chapter
  - 2006 Treasurer, Massachusetts Chapter
  - 2007 Vice President, President-Elect, Massachusetts Chapter
- Massachusetts Certified General Real Estate Appraiser License #495

**BUSINESS EXPERIENCE**

Presently an associate member of the firm of Avery Associates, Acton, Massachusetts. Avery Associates handles a wide variety of real estate appraisal and consulting assignments. Mr. Bowler has prepared appraisals on the following types of real property: office buildings, industrial buildings, research and development facilities, hotels/motels, golf courses, restaurants, medical buildings, auto dealerships, truck terminals, warehouses, bank branches, shopping centers, apartment complexes, commercial and industrial condominium units and buildings, lumber yards, service stations, industrial mill buildings, and cranberry bogs.

Mr. Bowler's experience also includes the appraisal of one to four family dwellings, condominium units, proposed residential subdivisions, and condominium projects. Also, Mr. Bowler has aided in the development of market studies on commercial, industrial and residential properties. Prior to joining Avery Associates in 1992, Mr. Bowler was employed in the following manner:

- |           |   |
|-----------|---|
| 1987-1992 | Real Estate Appraiser<br>Edward W. Bowler Associates<br>Waltham, Massachusetts      |
| 1987      | Research Associate, New York State Department of Transportation<br>Albany, New York |

**BUSINESS ADDRESS**

Avery Associates  
282 Central Street  
Post Office Box 834  
Acton, MA 01720-0834  
Tel: 978-263-5002  
Fax: 978-635-9435  
[chris@averyandassociates.com](mailto:chris@averyandassociates.com)

<p style="text-align: center;"><b>QUALIFICATIONS OF JONATHAN H. AVERY</b> <b>REAL ESTATE APPRAISER AND CONSULTANT</b></p>
---

**EDUCATION**

- BBA University of Massachusetts, Amherst, Massachusetts
- Graduate of Realtors Institute of Massachusetts - GRI
- American Institute of Real Estate Appraisers
  - Course 1-A      Basic Appraisal Principles, Methods and Techniques
  - Course 1A-B     Capitalization Theory and Techniques
  - Course 2        Basic Appraisal of Urban Properties
  - Course 6        Real Estate Investment Analysis
  - Course 410/420   Standards of Professional Practice

**PROFESSIONAL AND TRADE AFFILIATIONS**

- The Counselors of Real Estate
  - 1985            -      CRE Designation #999
  - 1993            -      Chairman, New England Chapter
  - 1995            -      National Vice President
  - 1999            -      National President
- Appraisal Institute
  - 1982            -      Member Appraisal Institute - MAI Designation #6162
  - 1975            -      Residential Member - RM Designation #872
  - 1977            -      Senior Residential Appraiser - SRA Designation
  - 1981            -      Senior Real Property Appraiser - SRPA Designation
  - 1986-1987      -      President, Eastern Massachusetts Chapter
  - 1992            -      President, Greater Boston Chapter
  - 1995            -      Chair, Appraisal Standards Council
  - 1996-1998      -      Vice Chair, Appraisal Standards Council
- Massachusetts Board of Real Estate Appraisers
  - 1972            -      MRA Designation
  - 1981            -      President of the Board
- Royal Institution of Chartered Surveyors
  - 2005            -      FRICS Designation
- Affiliate Member, Greater Boston Real Estate Board
- Licensed Real Estate Broker - Massachusetts 1969
- Massachusetts Certified General Real Estate Appraiser #26
- New Hampshire Certified General Real Estate Appraiser #NHGC-241

**BUSINESS EXPERIENCE**

Mr. Avery is Principal of the firm of Avery Associates located in Acton, Massachusetts. Avery Associates is involved in a variety of real estate appraisal and consulting activities including: market value estimates, marketability studies, feasibility studies, and general advice and guidance on real estate matters to public, private and corporate clients. Mr. Avery has served as arbitrator and counselor in a variety of proceedings and negotiations involving real estate. During 1993, he served as an appraisal consultant for the Eastern European Real Property Foundation in Poland. He has been actively engaged in the real estate business since 1967 and established Avery Associates in 1979. Prior to his present affiliation, Mr. Avery served in the following capacities:

- 1978-1979 Managing Partner, Avery and Tetreault,  
Real Estate Appraisers and Consultants
- 1975 -1978 Chief Appraiser, Home Federal Savings and Loan Association  
Worcester, Massachusetts
- 1972-1975 Staff Appraiser, Northeast Federal Saving and Loan Association  
Watertown, Massachusetts
- 1971-1972 Real Estate Broker, A. H. Tetreault, Inc.  
Lincoln, Massachusetts

### **TEACHING EXPERIENCE**

- Instructor, Bentley College, Continuing Education Division, 1976-1982;  
Appraisal Methods and Techniques  
Computer Applications for Real Estate Appraisal
- Approved Instructor Appraisal Institute - since 1982
- Chapter Education Chairman 1986-1987
- Seminar Instructor; Massachusetts Board of Real Estate Appraisers since 1981
- Certified Appraisal Standards Instructor-Appraiser Qualifications Board

### **PROFESSIONAL EXPERIENCE**

Qualified expert witness; Middlesex County District Court and Superior Court, Essex County Superior Court, Norfolk County Superior Court, Worcester County Probate Court, Federal Tax Court, Federal Bankruptcy Court, Appellate Tax Board of Massachusetts and Land Court of Massachusetts. Member, Panel of Arbitrators - American Arbitration Association, National Association of Securities Dealers Regulation, Counselors of Real Estate ADR.

#### **Property Assignments Include:**

Land (Single Lots and Subdivisions)  
One to Four Family Dwellings  
Apartments  
Residential Condominiums  
Office Buildings  
Restaurants  
Industrial Buildings  
Racquet Club  
Petroleum Fuel Storage Facility  
Lumber Yard  
School Buildings

Historic Renovations  
Movie Theater  
Conservation Easements  
Hotels and Motels  
Shopping Centers  
Golf Courses  
Churches  
Gasoline Service Stations  
Farms  
Office Condominiums  
Automobile Dealerships

### **BUSINESS ADDRESS**

Avery Associates  
282 Central Street  
Post Office Box 834  
Acton, MA 01720-0834  
Tel: 978-263-5002  
Fax: 978-635-9435  
jon@averyandassociates.com

<p align="center"><b>AVERY ASSOCIATES</b>  <b>REPRESENTATIVE LIST OF CLIENTS</b></p>
--

**FINANCIAL INSTITUTIONS**

Brookline Savings Bank  
 Cambridge Savings Bank  
 Century Bank & Trust  
 CitiCorp Industrial Credit, Inc.  
 Citizens Financial Group  
 Danversbank  
 Eastern Bank & Trust  
 Enterprise Bank & Trust  
 First Pioneer Farm Credit  
 Marlborough Savings Bank  
 Medford Savings Bank  
 Middlesex Savings Bank  
 North Middlesex Savings  
 Norwood Cooperative Bank  
 Salem Five Cent Savings Bank  
 Southern New Hampshire B&T  
 TD BankNorth Group  
 Webster Bank

**PUBLIC SECTOR/NON PROFIT**

Acton Housing Authority  
 City of Gloucester  
 Emerson Hospital  
 Federal Deposit Insurance Corp.  
 Harvard Conservation Commission  
 Internal Revenue Service  
 Lincoln Conservation Commission  
 Massachusetts Highway Dept.  
 Massachusetts Water Resources Authority  
 Mass. Div. of Conservation/Recreation  
 MassHousing  
 Stow Planning Board  
 Sudbury Valley Trustees  
 The Nature Conservancy  
 The Trust for Public Land  
 Town of Acton  
 Town of Cohasset  
 Town of Concord  
 Trustees of Reservations  
 U.S. Forest Services  
 Walden Woods Project  
 Water Supply District of Acton

**CORPORATIONS**

Boston Medflight  
 Bovenzi, Inc.  
 Column Financial  
 Concord Lumber Corporation  
 Dow Chemical Company  
 Eastman Kodak Corporation  
 Exxon Mobil Company  
 MassDevelopment  
 Mitre Corporation  
 Monsanto Chemical  
 Robert M. Hicks, Inc.  
 Ryan Development  
 Sun Life Assurance Company  
 Toyota Financial Services  
 U.S. Postal Service  
 Varian Associates  
 Veryfine Corporation  
 Westinghouse Broadcasting

**LAW FIRMS & FIDUCIARIES**

Anderson & Kreiger LLP  
 Brown Rudnick  
 Choate, Hall & Stewart  
 Esdaile, Barrett & Esdaile  
 Foley Hoag LLP  
 Hemenway & Barnes  
 Holland & Knight  
 Kirkpatrick Lockhart Nicholson Graham  
 Kopelman & Paige, P.C.  
 Lee & Levine LLP  
 Loring, Wolcott & Coolidge  
 Lynch, Brewer, Hoffman & Fink. LLP  
 Nutter, McClennen & Fish, LLP  
 Office of Stephen Small  
 Palmer & Dodge  
 Peabody & Arnold LLP  
 Rackemann, Sawyer & Brewster  
 Riemer & Braunstein LLP  
 Rope & Gray  
 Stern Shapiro Weissberg & Garin  
 Wilmer Cutler Pickering Hale & Dorr